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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 4504

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2316

RUEHKO/AMEMBASSY TOKYO PRIORITY 2181

RUEHIT/AMCONSUL ISTANBUL PRIORITY 2752

RUEKJCS/JOINT STAFF WASHDC PRIORITY

RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUEAAIA/CIA WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

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SENSITIVE

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ANKARA FOR REGIONAL AGRICULTURAL COUNSELOR

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SUBJECT: TURKMENISTAN: GOVERNMENT SILENT ON OUTCOME OF COTTON HARVEST

**¶11.** (SBU) SUMMARY: For the second year in a row, the Turkmen government has not released cotton production figures. Numerous challenges result in a harvest that falls short of the record harvests of the Soviet era. The impact of last year's increase in the price paid to cotton farmers, intended to boost production, was mitigated by inflation. Despite plans to attack corruption in cotton marketing activities, a new marketing organization announced by the government last year showed no sign of life. Some regions not naturally suited for cotton cultivation experienced water shortages, reducing the crop yield. In response, the government is looking at diversifying its agricultural planning, which could result in increased efficiency. Meanwhile, cotton remains king and its importance will likely require significant investments in water and other technologies in order to maintain adequate production.  
END SUMMARY.

GOVERNMENT DOES NOT RELEASE COTTON PRODUCTION FIGURES

**¶12.** (SBU) At the November 3 Cabinet of Ministers meeting, President Berdimuhamedov announced that ninety percent of the cotton harvest had been gathered. He did not, however, mention any cotton production figures, nor are such figures expected to be released. While the official date for the end of the cotton harvest is November 30, as a practical matter the first rain, which occurred several weeks ago, marks the end of the harvest. Unlike former President Niyazov's practice of announcing inflated cotton and wheat harvest goals, which then led to falsified harvest reports, the current Turkmen government remains silent on production targets and harvest results.

COTTON PRICES INCREASED, BUT INFLATION ERODED THE GAIN

**¶13.** (SBU) On April 10, 2007, Berdimuhamedov signed the decree "On increasing the production of cotton in Turkmenistan and improving the procedure of carrying out payments to cotton producers," which, at that time, substantially raised cotton farmers' income. According to the decree, the state purchasing price for the 2007 cotton harvest was quintupled to 5,200,000 manats (USD 366) per ton of medium-staple cotton, and 7,500,000 manats (USD 528) per ton of fine cotton. Despite the increase, however, some farmers reportedly feel nostalgic about the Niyazov-era method of payment, which was done partially in currency and partially in-kind (cotton seed oil and cotton seed cake), which farmers found profitable to sell at the

market due to price inflation.

#### NEW COTTON MARKETING BODY EXISTS ON PAPER ONLY

¶14. (SBU) Prior to 2007, Turkmenpagta (Turkmen State Cotton Concern) was the exclusive buyer and seller of Turkmen cotton. In order to eliminate corruption at Turkmenpagta, last year the president established the self-financed "Ak Altyn" ("White Gold") marketing organization. Officially, Turkmenpagta was left with responsibility only for cotton ginning. Ak Altyn was reportedly capitalized through a bank loan and was supposed to both pay back the loan and pay for farmers' input costs through the proceeds of cotton sales. It appears, however, that Ak Altyn exists only on paper. A cotton grower from Mary Province told Embassy staff that Turkmenpagta is still concluding purchase contracts with farmers, despite the president's decree, while Ak Altyn is nowhere to be seen.

#### WORKING AGAINST NATURE RESULTS IN GREAT INEFFICIENCIES

¶15. (SBU) Embassy contacts in Dashoguz and Balkan Provinces have reported poor harvests, which they attribute to a shortage of irrigation water. Agricultural officials in these provinces struggle every year to distribute their scarce water resources equally between wheat and cotton growing needs. Insufficient irrigation water results in stunted cotton plants and immature cotton bolls. This, in turn, makes mechanized harvest impossible and requires a huge manual labor force, often drafted from other provinces. Hired labor costs 1,000 manat (seven U.S. cents) per kilo. A contact from Balkan Province said that local officials doubled this payment to hired labor in order to attract skilled cotton pickers from Mary Province, since Balkan is not a cotton-growing area and natives of the region are not experienced in

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cotton-picking.

#### PRESIDENT SUGGESTS DIVERSIFICATION OF STATE AGRICULTURE

¶16. (SBU) During the November 3 Cabinet meeting, President Berdimuhamedov reportedly ordered his Cabinet to review the policy of growing predominantly cotton in Turkmenistan and to consider diversifying state agriculture. (NOTE: This would be a radical turn away from the Soviet practice of monoculture, or exclusively focusing on one individual crop. END NOTE.) He ordered Deputy Chairman for Agriculture Myratgeldi Akmammedov to develop a state agriculture diversification program, taking into account each province's weather, land and water resources for growing certain crops. If implemented, such a program could release Dashoguz and Balkan Provinces from the burden of cotton growing, and bring them back to their traditional occupations: rice and wheat cultivation in Dashoguz, and cattle and sheep breeding in Balkan.

¶17. (SBU) COMMENT: The fact that the government failed to release harvest figures signals that this year's cotton harvest probably did not meet expectations. Current production will always be measured against Turkmenistan's record cotton harvest, last achieved in the 1980s, which was 1,000,000 tons. Some Turkmen farmers are disappointed in Berdimuhamedov because he has not reformed the agriculture sector as he promised during his election campaign in early 2007. In addition, corruption continues in spite of the cotton marketing decree announced in 2007, indicating bureaucratic resistance to reform.

¶18. (SBU) COMMENT CONTINUED: The fact remains that cotton is a strategic crop for Turkmenistan. It yields hard currency revenues as well as provides raw materials for the domestic textile industry.

In order to maintain cotton production at an adequate level, the government will have to invest more in the agriculture sector and improve cotton growing technology. In addition, returning to traditional farming activities better suited to naturally occurring soil and climate conditions could result in greater efficiencies, if properly implemented. END COMMENT.

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